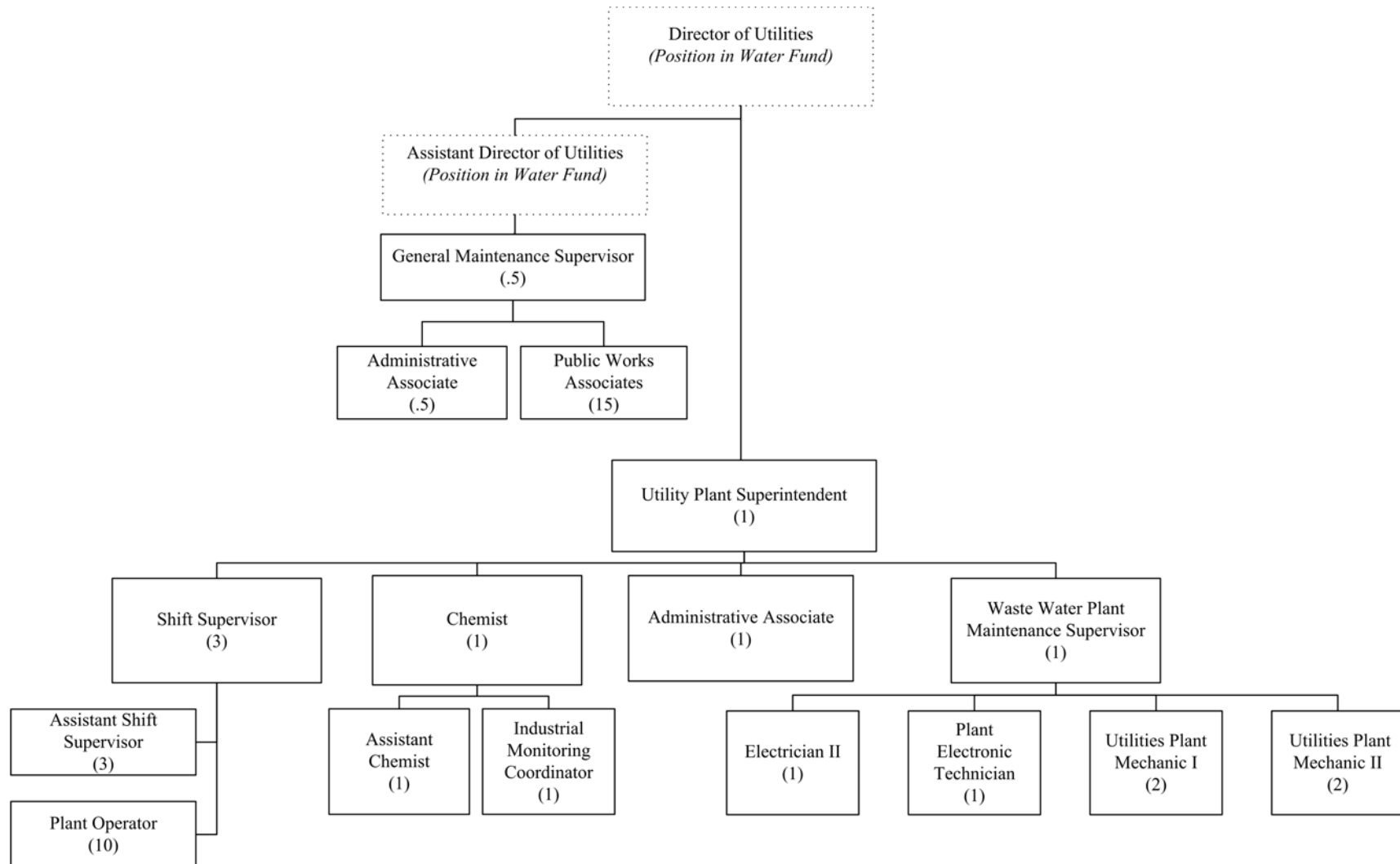




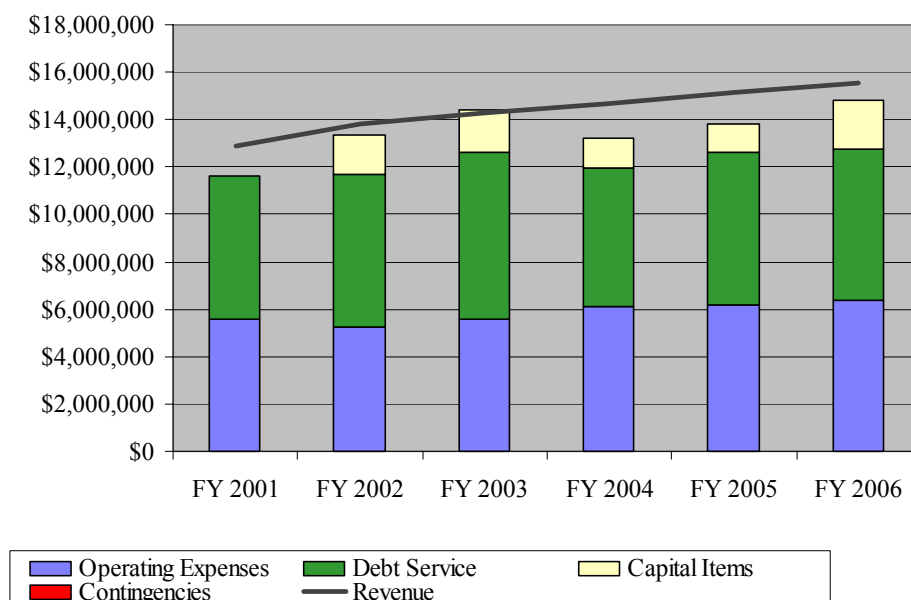
SEWER FUND (PUBLIC WORKS – UTILITIES DIVISION)



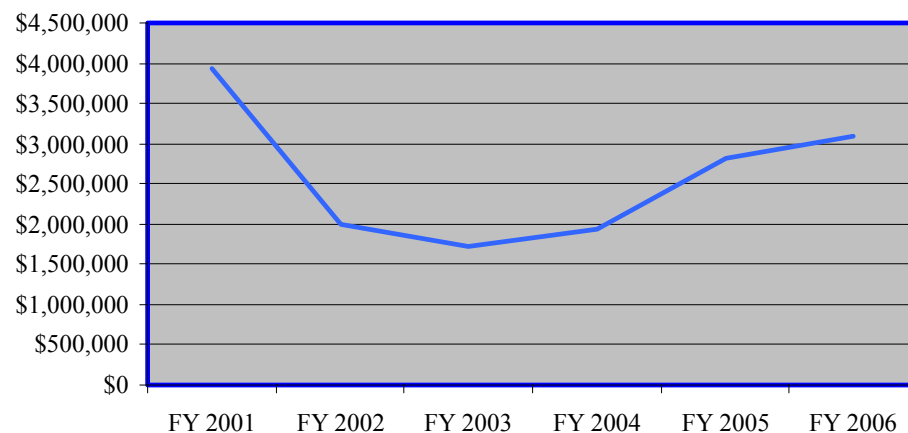
**Sewer Fund Description**

The Public Works Department Utilities Division operates a regional wastewater treatment plant that can treat up to 22 million gallons a day of domestic and industrial wastewater. Wastewater is treated to Federal and State water quality standards before being discharged into the James River. Wastewater service is provided to approximately 80% of the citizens and businesses in Lynchburg. Service is also provided to parts of Amherst, Bedford and Campbell Counties under the terms of the 1974 Regional Institutional Wastewater Treatment Agreement. Under this agreement, the counties share in 20% of the operating and capital expenses of the wastewater treatment plant. The Utilities Division also cleans, monitors and repairs the wastewater collection system, including an extensive network of sanitary and combined sanitary/storm drains. The City built its original combined sewer system at the turn of the century and is now renovating it to meet new federal and state standards.

Revenues & Expenses



Ending Unrestricted Cash



**Sewer Fund Debt Coverage**

	Actual FY 2003	Adopted FY 2004	Amended FY 2004	Requested FY 2005	Manager's Proposed FY 2005
DEBT COVERAGE					
Revenues:					
Charges for Services	\$11,468,408	\$12,261,163	\$12,261,163	\$12,655,401	\$12,553,251
Water Contracts	2,583,501	2,591,585	2,591,585	2,464,341	2,464,341
Interest and Other	241,847	126,185	126,185	98,500	98,500
	\$14,293,756	\$14,978,933	\$14,978,933	\$15,218,242	\$15,116,092
Expenses:					
WWTP	\$3,299,532	\$3,528,453	\$3,727,617	\$3,449,458	\$3,429,458
Sewer Line Maintenance	763,688	860,244	987,712	932,009	931,109
Non-Departmental	1,774,941	1,934,233	1,934,233	1,925,460	1,834,840
Major Sewer Line Cleaning	0	0	800,000	200,000	200,000
Projects Costs Charged to Operations	53,233	0	0	0	0
	\$5,891,394	\$6,322,930	\$7,449,562	\$6,506,927	\$6,395,407
Operating Income	\$8,402,362	\$8,656,003	\$7,529,371	\$8,711,315	\$8,720,685
Debt Service	\$7,040,471	\$7,170,063	\$6,370,063	\$6,476,268	\$6,412,128
Net Revenue	\$1,361,891	\$1,485,940	\$1,159,308	\$2,235,047	\$2,308,557
Debt Coverage Ratio Target	1.20	1.20	1.20	1.20	1.20
Debt Coverage Ratio	1.19	1.21	1.18	1.35	1.36

**Sewer Fund Sources and Uses of Cash**

	Actual FY 2003	Adopted FY 2004	Amended FY 2004	Requested FY 2005	Manager's Proposed FY 2005
SOURCES AND USES OF CASH					
Sources of Cash:					
Beginning Cash Balance	\$3,793,059	\$4,495,274	\$4,495,274	\$4,076,809	\$5,381,465
Net Revenue	1,361,891	1,485,940	1,159,308	2,235,047	2,308,557
G.O. Bond Proceeds	2,014,770	3,250,000	3,250,000	2,800,000	2,600,000
VRLF Loan Drawdowns	139,124	1,230,000	1,230,000	7,111,002	7,850,000
Proceeds from Other Organizations	140,041	0	0	0	0
Federal and State Capital Grants	2,767,001	0	0	2,564,741	1,944,412
	\$10,215,886	\$10,461,214	\$10,134,582	\$18,787,599	\$20,084,434
Uses of Cash					
Capital Purchases	\$5,589,053	\$5,465,273	\$5,465,273	\$14,651,406	\$13,918,621
Transfers to Other Funds	859,952	742,500	442,500	120,000	175,000
Change in Working Capital Items	(728,393)	150,000	150,000	204,000	204,000
	\$5,720,612	\$6,357,773	\$6,057,773	\$14,975,406	\$14,297,621
Ending cash	4,495,274	4,103,441	4,076,809	3,812,193	5,786,813
Cash Restricted for Capital Projects	(2,780,880)	(677,800)	(677,800)	(1,066,930)	(2,978,814)
Ending Unrestricted Cash	\$1,714,394	\$3,425,641	\$3,399,009	\$2,745,263	\$2,807,999
Unrestricted Cash Target as a % of Operating Expenses and Debt Service	25%	25%	25%	25%	25%
Unrestricted Cash as a % of Operating Expenses and Debt Service	13%	25%	25%	21%	22%

This Statement of Sources and Uses of Cash has been added to the budget in order to more closely align the budget presentation to the requirements of GASB 34 and provide additional information concerning the cash flows in the operating and capital funds.



Sewer Fund

	Actual FY 2003	Adopted FY 2004	Amended FY 2004	Requested FY 2005	Manager's Proposed FY 2005
REVENUE SUMMARY					
Charges for Services:					
Retail Volume Charges	\$10,157,496	\$11,116,350	\$11,116,350	\$11,308,179	\$11,308,179
Meter Charges	458,187	423,563	423,563	505,150	403,000
Septic Hauler Charges	255,969	231,750	231,750	260,000	260,000
Sewer Backwash Charge	104,000	103,000	103,000	110,000	110,000
Leachate Treatment	52,000	51,500	51,500	55,167	55,167
Industrial Pre-treatment	6,100	5,150	5,150	6,471	6,471
Industrial Surcharges	53,010	51,500	51,500	56,238	56,238
Industrial Monitoring Charges	36,223	25,750	25,750	38,429	38,429
Availability Fees	142,463	150,000	150,000	150,000	150,000
Connection Charges	113,349	87,150	87,150	124,967	124,967
Sewer Cost Plus	38,457	15,450	15,450	40,799	40,799
All Others	51,154	0	0	0	0
	\$11,468,408	\$12,261,163	\$12,261,163	\$12,655,401	\$12,553,251
Sewer Contracts					
Amherst	\$387,947	\$401,495	\$401,495	\$318,405	\$318,405
Bedford	289,827	292,332	292,332	252,594	252,594
Campbell	325,986	211,118	211,118	174,666	174,666
Industrial	1,579,741	1,686,640	1,686,640	1,718,676	1,718,676
	\$2,583,501	\$2,591,585	\$2,591,585	\$2,464,341	\$2,464,341
Interest & Other:					
Interest	\$64,515	\$87,685	\$87,685	\$60,000	\$60,000
State Highway Maintenance	38,500	38,500	38,500	38,500	38,500
All Other	138,832	0	0	0	0
	\$241,847	\$126,185	\$126,185	\$98,500	\$98,500
Total Revenues	\$14,293,756	\$14,978,933	\$14,978,933	\$15,218,242	\$15,116,092



Sewer Fund

	Actual FY 2003	Adopted FY 2004	Amended FY 2004	Requested FY 2005	Manager's Proposed FY 2005
EXPENDITURE SUMMARY					
Departmental:					
Salaries	\$1,218,406	\$1,347,901	\$1,347,901	\$1,364,917	\$1,364,917
Employee Benefits	364,140	420,365	420,365	489,108	489,108
Supplies and Materials	447,291	390,700	389,763	414,000	409,100
Sludge Disposal - Landfill	517,438	761,025	761,025	573,375	573,375
Chemicals	208,398	402,707	519,634	398,000	398,000
Gasoline/Fuel	24,888	2,600	23,401	29,965	29,965
Internal Service Charges	60,472	101,630	80,829	69,508	69,508
Rentals and Leases	4,768	3,800	4,011	5,000	4,500
Communication Charges	5,022	9,500	9,500	9,100	9,100
Utilities	439,346	423,519	426,319	465,000	464,000
Building and Grounds	32,258	8,750	9,850	12,400	12,400
Contractual Services (a)	711,394	485,400	691,931	518,594	509,094
Training and Meetings	15,611	15,000	15,000	16,700	16,700
Miscellaneous	13,788	15,800	15,800	15,800	10,800
	\$4,063,220	\$4,388,697	\$4,715,329	\$4,381,467	\$4,360,567
Non-Departmental:					
Indirect Costs	\$1,056,665	\$1,056,665	\$1,056,665	\$1,001,465	\$1,001,465
Water Fund Payments	460,000	500,000	500,000	510,000	510,000
Retirees Health Insurance	49,268	56,696	56,696	66,896	66,896
Financial Audit	11,619	25,000	25,000	21,000	21,000
Estimated Uncollectible Accounts	77,400	60,000	60,000	60,000	0
Banking Services	6,077	4,800	4,800	5,205	5,205
Self Insurance	99,517	143,759	143,759	150,961	150,961
Legal and Professional	8,871	50,000	50,000	50,000	50,000
Compensation Plan Adjustment	0	14,313	14,313	38,373	14,313
IT Systems	0	8,000	8,000	6,560	0
All Other	5,524	15,000	15,000	15,000	15,000
	\$1,774,941	\$1,934,233	\$1,934,233	\$1,925,460	\$1,834,840
Major sewer line cleaning (JRI)	\$0	\$0	\$800,000	\$200,000	\$200,000
Capital Purchases and Transfers:					
Transfer to Sewer Capital Fund	\$1,250,000	\$800,000	\$800,000	\$2,100,000	\$1,000,000
Transfer to City Fleet Fund	448,651	297,000	297,000	120,000	120,000
Transfer to General Fund	100,000	0	0	0	0
Capital Purchases	7,000	145,500	145,500	55,000	55,000
	\$1,805,651	\$1,242,500	\$1,242,500	\$2,275,000	\$1,175,000
Debt Service:					
	\$7,040,471	\$7,170,063	\$6,370,063	\$6,476,268	\$6,412,128
Total Expenses	\$14,684,283	\$14,735,493	\$15,062,125	\$15,258,195	\$13,982,535



Public Works Utilities Division Sewer Line Maintenance. Provides installation, maintenance, cleaning and repair of sanitary sewer lines and sewer services as well as monitoring of overflow points. Performs line inspections using TV cameras. Provides vermin control. Manages stormwater and maintains retention pond grounds. Maintenance of storm and sanitary sewer lines provides flood and pollution control, thus promoting the welfare and health of the public. Services are federally mandated by the Clean Water Act. Oversight is provided by the Department of Environmental Quality.

	Actual FY 2003	Adopted FY 2004	Amended FY 2004	Requested FY 2005	Manager's Proposed FY 2005
POSITION SUMMARY					
Total FTE Positions	15	16	16	16	16
BUDGET SUMMARY					
Salaries	\$392,955	\$447,714	\$447,714	\$456,028	\$456,028
Employee Benefits	120,414	143,963	143,963	166,604	166,604
Supplies and Materials	130,162	114,300	113,500	135,200	134,800
Gasoline/Fuel	19,489	17,883	17,883	23,640	23,640
Internal Service Charges	51,658	70,634	70,634	58,914	58,914
Rentals and Leases	1,076	1,500	1,593	1,500	1,500
Communication Charges	1,972	2,700	3,500	3,200	3,200
Buildings and Grounds	0	350	350	300	300
Contractual Services	42,953	55,900	183,275	81,123	80,623
Training and Meetings	2,543	5,000	5,000	5,200	5,200
Miscellaneous	466	300	300	300	300
	\$763,688	\$860,244	\$987,712	\$932,009	\$931,109

Performance Data:

# of Utility Cuts	129	120	120	120	120
# of Manholes / Line Repairs	171	160	160	160	160
LF of Lines TV Inspected	125,436	150,000	150,000	140,000	140,000
LF of Sewer Line Cleaned	223,368	300,000	300,000	300,000	300,000
# of Inlets Cleaned	3,913	3,000	3,000	3,500	3,500
# of Inlets Repaired	263	350	350	250	250
# of Inlets Installed	28	0	20	20	20
# of New Services Installed	122	100	100	120	120
# of Stormwater Facilities Maintained	10	15	15	15	15
# of CSO Outfalls Maintained	52	52	52	48	48
Snow Removal Hours	600	0	0	0	0

***Sewer Line Maintenance Operating Budget Description***

The Proposed FY 2005 Sewer Line Maintenance (Public Works – Utilities Division) budget of \$931,109 represents a 5.7% decrease of \$56,603 as compared to the Amended FY 2004 budget of \$987,712.

Significant changes introduced in the Requested FY 2005 budget include:

- ◆ \$8,314 increase in Salaries reflecting increases associated with acquiring skills in the PWA program.
- ◆ \$22,641 increase in Employee Benefits reflecting rising retirement contributions, health and dental insurance costs, as well as the end of the holiday for group life insurance premiums.
- ◆ \$25,223 increase in Contractual Services primarily reflecting increased storm water maintenance expenses such as storm water detention basin maintenance and emergency repairs performed by outside contractors. It also includes televising and cleaning sewer lines as needed.
- ◆ \$5,963 decrease in Fleet Service charges based upon historic trends.
- ◆ \$2,500 increase in Apparel/Protective Wear and Safety Supplies reflecting expenses anticipated for safety related items for staff that routinely are exposed to safety hazards and historic trends.
- ◆ \$8,500 increase in Minor Equipment and Tools reflecting historic trends.
- ◆ \$3,300 increase in Chemicals/Gases reflecting increased cost of lime, rat bait, and carbon for sewer vents and historic trends.
- ◆ \$6,950 decrease in Vehicle, Building, Mechanical, and Sewer/Storm Sewer Maintenance and Repair materials reflecting additional storm sewer maintenance and historic trends.
- ◆ \$67,500 decrease in Heavy Equipment reflecting a one time purchase of a Global Positional System (GPS) and a TV camera in FY2004.
- ◆ \$5,000 increase in Specific Use Equipment as a contingency for purchases based on anticipated needs, previously in the Heavy Equipment code.

The Department requested \$932,009.

Items requested not proposed for funding include:

- ◆ \$400 reduction in Supplies and Materials on a three year historical average.
- ◆ \$500 reduction in Contractual Services on a three year historical average.



Public Works Utilities Division Wastewater Treatment Plant. Performs secondary treatment for an average of 12 million gallons per day (with peaks up to 28 MGD) of domestic and industrial wastewater. Amherst, Bedford, and Campbell Counties partner with the City in this cooperative endeavor. RockTenn wastewater is pretreated, which includes grit removal, screening, and clarification, on the plant site and then combined with the domestic wastewater. The combined wastes receive primary settling, aeration, secondary settling, and disinfection before the effluent is discharged into the James River. Sludge produced from the treatment process is dewatered and landfilled. The plant operates continually. Wastewater is treated to meet national environmental stream standards and to promote the general health and welfare of residents of the region. The services provided are federally mandated by the Clean Water Act. Oversight is provided by the Department of Environmental Quality.

	Actual FY 2003	Adopted FY 2004	Amended FY 2004	Requested FY 2005	Manager's Proposed FY 2005
POSITION SUMMARY					
Total FTE Positions	28	28	28	28	28
BUDGET SUMMARY					
Salaries	\$825,451	\$900,187	\$900,187	\$908,889	\$908,889
Employee Benefits	243,726	276,402	276,402	322,504	322,504
Supplies and Materials	317,129	277,800	276,263	278,800	274,300
Sludge Disposal - Landfill	517,438	761,025	761,025	573,375	573,375
Chemicals	208,398	402,707	519,634	398,000	398,000
Gasoline/Fuel	5,399	3,018	5,518	6,325	6,325
Internal Service Charges	8,814	10,195	10,195	10,594	10,594
Rentals and Leases	3,692	2,300	2,418	3,500	3,000
Communication Charges	3,050	6,000	6,000	5,900	5,900
Utilities	439,346	424,319	426,319	465,000	464,000
Buildings and Grounds	32,258	9,500	9,500	12,100	12,100
Contractual Services	668,441	429,500	508,656	437,471	428,471
Training and Meetings	13,068	10,000	10,000	11,500	11,500
Miscellaneous	13,322	15,500	15,500	15,500	10,500
	\$3,299,532	\$3,528,453	\$3,727,617	\$3,449,458	\$3,429,458

Performance Data:

Average Daily Flow in mgd	14	13.5	13.5	13.5	13.5
Average Daily BOD in Pounds	28,373	32,000	32,000	28,000	28,000
Average Daily TSS in Pounds	25,920	31,000	31,000	25,000	25,000
Sludge Landfilled in Tons	20,703	22,000	22,000	16,500	16,500
Sludge Hauled in Tons	1,400	200	200	500	500
# of Pretreatment Inspections	23	80	80	25	25
# of Sur-charge Samples	244	225	225	225	225
Total Cost / mg of Flow	\$645.70	\$716.07	\$756.49	\$700.04	\$695.98



Wastewater Treatment Operating Expenses Budget Description

The Proposed FY 2005 Sewer Fund Wastewater Treatment (Public Works – Utilities Division) budget of \$3,429,458 represents an 8.0% decrease of \$298,159 as compared to the Amended FY 2004 budget of \$3,727,617.

Significant changes introduced in the Requested FY 2005 budget include:

- ◆ \$8,702 increase in Salaries reflecting position realignments and operator certification pay.
- ◆ \$46,102 increase in Employee Benefits reflecting rising retirement contributions, health and dental insurance costs, as well as the end of the holiday for group life insurance premiums.
- ◆ \$7,971 increase in Contractual Services primarily reflecting increases in maintenance and repair services and the reduction of engineering and legal services as a result of performing much of this work in house.
- ◆ \$1,206 increase in Fleet Service charges based upon historic trends.
- ◆ \$144,176 decrease in Other Charges primarily reflecting a \$187,650 decrease in sludge disposal fees as a result of an anticipated reduction of solids from Rock Tenn and a \$30,000 increase in natural gas associated with heating the warehouse recently purchased from Rock Tenn.
- ◆ \$1,200 increase in Equipment rental reflecting historic trends.
- ◆ \$25,000 decrease in Lab Equipment reflecting a one time purchase in FY2004.
- ◆ \$3,000 decrease in Machinery/Tools/Instrumentation as a contingency for purchases based on anticipated needs.

The Department requested \$3,499,458.

Major items requested not proposed for funding include:

- ◆ \$4,500 reduction in Supplies and Materials based on a three year historical average.
- ◆ \$500 reduction in Rental and Leases on a three year historical average.
- ◆ \$1,000 reduction in Utilities on a three year historical average.
- ◆ \$9,000 reduction in Contractual Services on a three year historical average.
- ◆ \$5,000 reduction in Miscellaneous on a three year historical average.